

U.S. SMALL BUSINESS ADMINISTRATION

Charlotte, North Carolina

September 20, 2005 Hearing



PROCEEDINGS

[START TAPE 1 SIDE A]

MALE VOICE 1: We are required by our statute to record it. It goes to transcript on our website of the spirit [phonetic] so everything that's said from now on will be transcribed and posted on our website [inaudible] of the transcript. So with that, I'd like people who have testimony to offer to come and sit at this table. We have a microphone there.

MR. VUNCANNON: Good morning. My name is Mike Vuncannon. I am the general partner of Douglas Kohoutek, Ltd., partnership. I want to thank you for this opportunity to bring to your attention some issues concerning the time and behavior of the employees and agents of the Small Business Administration.

These employees and agents were involved in liquidating a failed small business investment company, Fidelity Capital Corporation. Fidelity Capital Corporation was placed in receivership in September, 1986 and the SBA was appointed receiver and placed in charge of liquidating FCC's assets.

In doing so, the methods which these employees and agents chose to carry out their task were dishonest and unfair, if not illegal. In their efforts to maximize recovery of losses, there was a total disregard of another party's rightful claim to assets. The tactics used to achieve the SBA's desire stopped at nothing, even to the point in Kohoutek's case in the SBA participating in the fraudulent conveyance of Kohoutek's interest.

These transactions were done with total knowledge of Kohoutek's claim to this interest. The receiver, to achieve their goals, used extortion tactics and bribery to accomplish receiving a payment of \$1,667,000 from the sale of Highland Roads Apartments. This amounted to more than the rightful share due to the Mountain East Commerce Park, this to the receiver. And Kohoutek, which received nothing being done out of monies which rightfully belonged to them.

The SBA would like for everyone to believe that they weren't involved in conducting business pertaining to Highland Grove Limited Partnership, but this simply isn't true. The documents I have been able to obtain prove otherwise. In fact, the receiver took a lead role in the drafting, in negotiating of the amendments to the partnership agreement that transferred most of Kohoutek's interest to others.

Other changes were demanded by the receiver so that the SBA's position would be elevated to heighten [phonetic] the real interest instead of the economic interest of Mountain East Commerce Park.

According to the partnership agreement, this would have made

the SBA a receiver, a co-general partner. The SBA doesn't want to acknowledge this. It says the hat fits; they should be made to wear it. Now that the receiver had control of the partnership, they were able to direct the total freeze out of Douglas Kohoutek in receiving monies belonging to them.

So when the sale of the apartment took place, the receiver had monies diverted to an escrow account set up by their attorney instead of being placed to Highland Grove Limited Partnership bank account.

Why were these monies handled this way? Especially before any audit or accounting was performed that would have shown an adequate amount each partner had coming.

There were no pressing reasons but that Douglas Kohoutek had filed a lawsuit and that monies were setting in an account of the partnership and a motion might be filed to freeze the monies in that account. The partnership agreement stated that no distribution could occur without a final audit and accounting was performed.

Once again, the conditions of the partnership agreement were not followed as had been the case of many times before. As of today, no audit or accounting has been done and tax returns for 1993 and '94 were never done and filed.

These failures seem to be of little or no concern the SBA, since the payment of \$1,667,000 already has been received and an audit would reveal an overpayment was received by MECP/SBA.

Recently, another payment of \$80,000 was brought to my attention by Fred Skepta [phonetic] SCC's and MECP's president. He stated that the receiver demanded this payment before they would close out the receivership. The reasons for these monies being required by the receiver was that through an investigation done by the SBA in 1997 through 2000, a discovery of wrongful distributions of partnership funds in the amount of approximately \$350,000 had taken place.

Through deposition conducted by the receiver's attorney with Mr. Skepta and Mr. Selfridge [phonetic] ELD's president and co-general partner, of Highland Grove Limited Partnership, these facts were revealed. A settlement agreement between Mr. Selfridge, ELD and the receiver, SBA, had been accomplished and Mr. Skepta, MECP's president, needed to settle by giving back \$80,000.

My question is, why was the receiver entitled to these funds if the monies were taken out of Highland Grove Partnership? This transaction took place in September, 2003. How many times the SBA would be allowed to divert through fraudulent conveyance monies or [inaudible] belonging to others. Is this a practice that should be ignored or covered up by government? I don't believe so, as you can see by my persistence and stubbornness in pursuing that the

government makes right any wrongs.

If this great country of ours is going to lead the world in the pursuit of freedom and justice for all, then we need to start to make sure that it applies here in the United States of America. I am a victim—I am here as a victim of government wrongdoings, which resulted in the total destruction of my and my family's quality of life as we once knew it.

This needs to be rectified if one is to believe that this country stands for justice and fairness for all of its people. I do hope that the creation of the Regulatory and Fairness Act and this board was meant to undue such wrongs when discovered and not merely to provide a forum for public complaints be heard. Thank you once again and God bless America.

MALE VOICE 1: Thank you, Mike. As you can see, when we [inaudible] to do these hearings, the SBA is not exempt from [inaudible] every testimony. We [inaudible] opportunity hearing provided—Mike, it's great that you've done—Inspector General would be on this as well as the SBA.

MR. VUNCANNON: [Inaudible] July 28th. Unfortunately, this report doesn't mention-- does not have the [inaudible] only that inefficient [inaudible] timeliness [inaudible] was pointed to me [inaudible] practices showing [off mic] or agents of the SBA.

I tried through many avenues to get somebody to recognize and respond to my [inaudible] of the problems [inaudible] SBA [inaudible] documents [inaudible].

I don't understand why [inaudible] Federal agencies would still prove to me [background noise] fair and legal way [inaudible] I've had my senator's request meeting [inaudible].

MALE VOICE 1: Well, I'll tell you. I don't know that I can get you the answer you want but we'll get you the answer. [Inaudible] you can testify in my office [inaudible] saying that they—I had [inaudible] on my desk, things I should know that we are invited [inaudible] this morning. Thank you.

MR. HARALD IBELE: Good morning, my name is Harald Ibele with LLC Aerial Adverting and AirSign LLC, banner towing, little airplanes mainly over sporting events, at least that is what my family derives its income from in the past.

It would probably be easier to write a whole book from the things that have happened to our industry over the past four years than compress it into five minutes here today. Over the past years I feel like I have pursued a [inaudible] quest in undoing some of the wrongs that were done by the Federal Government.

The problem, to a certain extent, actually lies in the

executive which TSA Transportation Security Administration [phonetic] their wave for—security wave-off; however, TSA is only the executor. The real problem lies with Congress and the House, the law that was passed and slid into the Federal budget of 2003, this public law [inaudible] -7, Section C52.

This law, Mr. Sorrum, [phonetic] you may be somewhat familiar with it, having graduated from the University of Michigan which actually was one of the parties who was in pursuit of getting legislation passed like that.

MR. SORRUM: [Inaudible]

MR. IBELE: And Mr. McFarland, being in the media business, I'm sure that you have an idea of how [inaudible] it is with national advertising [inaudible] Schwartz in 2003 flight restrictions [inaudible] apply only to major league baseball, the NFL Football League, NCAA College Division 1 football [inaudible] out to a major raceway event that prohibit advertising flights from one hour before to one hour after the event if the stadium has a seating capacity of 30,000 people or more.

This does not have an advantage [inaudible] by these professional sporting organizations. One can fly banners over 100,000 people without any problems. There was a strong lobbying effort going on in Washington, D.C, throughout 2002 to get this law passed.

Our industry [inaudible] couple or two-three hundred businesses in the United States, about 10-15% of them went to a Transportation Security Administration hearing in September 2002 in Washington, D.C., to discuss the process of issuing security waivers which included FBI background checks, fingerprinting, which has been standard in the wake of September 11th to start with.

After the lobbying was done, like I said, public law was passed which eliminated the security background checks for banner towers. The law basically was designed to keep banners towers out and away from the stadiums, instead of 25 feet [inaudible] some of the professional sporting organizations came to and I have letters from professional sporting teams here such as the Oakland A's requesting for the banners to move out.

This effort has been underway since 1988 and 2003 it was passed under the guise of Homeland Security. So far, banner tow airplane can't do much damage. The flight restrictions are three miles around the stadium, up to 3,000 feet. If I fly at 3,100 feet in an airplane 200 miles an hour, it takes me 15 seconds to get into the stadium, so does this regulation really make anything safe.

If I can, at the same time drive a yellow Ryder truck around the stadium. This has been designed and implemented to keep banner towers away from stadiums, to transfer monopoly of advertising

to professional sports organizations because it's not enough that they get the stadiums built with taxpayer money.

[Inaudible] TSA got stuck and forced in the law. Now I once, after this law was passed, I have to say in 2003, it was supposed to expire one year thereafter, but a sunset provision and in the following budget, that however got eliminated as well and the law was made permanent.

TSA, the problem that I have with the TSA really lies in the implementation and enforcement, or selective enforcement of this particular law. Mr. Reggie Rose, who process wafers [phonetic] at the TSA in Washington says verbatim, that no banner tows are allowed; that this is the intent of the law. But for banner tower flights in the airspace, the banner tower will get arrested upon landing.

This airspace is busted all the time by all kinds of pilots and continuous spaces. The Goodyear Blimp, by the way can fly in this airspace which is advertising to small businesses who can advertise for a couple of hundred dollars, or could advertise in the past for a couple of hundred dollars over such events can't do it any more and effectively there's a monopoly for advertising that lies with the sporting world organizations.

Now in my opinion, I feel limited and the reputation of my commercial free speech for one thing. I also feel that my right of property which was contracts that my business had and the livelihood that I pursued for my family was taken without due process and/or—or sorry, I lost the words—without due process or compensation and it is just not right.

In the meanwhile, I have gone out of business because it just was not worth the hassle any more, working ever more, ever harder for ever less and every time a sack of rice falls over somewhere, there's some kind of flight restrictions that would ground the business again.

I can't deal with that, I can't do that to my family. I've lost over \$1 million worth of revenues, I don't know how much profit of that loss, but I certainly lost four years of my livelihood. I've grown up on an airport, I've grown up around skydivers, I've been in aviation for my entire life, I'm 38 years old. My heart has been ripped out, I stepped away. I'm not in aviation any more; I'm in a different industry.

So this really is not about me and my losses, this is about legislation, I've lost cash, that was wrong, it was motivated by special interests, campaign donations, lost in past under the guise of Homeland Security. It has really a financial motivation and now it's about a couple of hundred of other businesses that may not have gone out of business yet, but have been affected as well.

Now as far as answers are concerned, and what I expect out of this hearing, my wife probably summed it up the best, "What do

you expect from that hearing? Nothing, you're just going there to complain." Well maybe she's got a point. Maybe she heard me complain for the past four years. What do I expect? She is right in reality, nothing because the same topic was brought up at a different SBA meeting in Sacramento several months ago and they have not received demands as of yet, either on this same topic.

Now at the same time since this law's enacted, I've found work. It will take an act of Congress to undo this wrong. Do I really think this will happen? I don't think so. But now I got it off my chest and now I feel better and I do appreciate your time.

MALE VOICE 1: Thank you very much. You're right—first of all, it is an act of Congress, it's difficult. When Congress says this is the way it shall be, you've got to get the Congress to make another [inaudible] to that what has transpired. Unfortunately, you have representatives from Senator Dole's office and the Congressional office [background noise] and maybe they can do something [inaudible].

You're also correct that I can improve this testimony rating [inaudible] who have been in their business and we—there is some [inaudible] strength in numbers in that when small business people come forward and say this is wrong, and this is the way it impacts on me, it will take [inaudible] touch on what we take to make [inaudible]

And every time I get a testimony like yours, I will send it to TSA. Whether or not I get a response, I can keep harping on it, you've got to respond, and otherwise you're giving it a poor grade. Sometimes we pay attention to that, but as I say, there's strength in numbers.

We had a problem with the [inaudible phrase] pharmacist and the International Association of [inaudible] Pharmacist was having an issue with the FDA and whether the FDA was [inaudible] to that [off mic].

One of our board members had to be a member of that organization and he [inaudible] process, so he sent in 100 comments and we took the FDA and had to change. And they [inaudible] promises, but I appreciate you taking the time.

MR. EBELE: Well I do appreciate your time and like I said, in reality it's not the TSA. The TSA gets stuck executing the law that was passed. That is not right. As far as our Congressmen and the House is concerned, like I saw this [inaudible] has gone on for four years fighting windmills, yet not gotten any answers from any of our representatives.

Why should I believe that anything should happen? Now I would be pleasantly surprised if this law would get repealed, but honestly, I do have my doubts and special interests have taken over and every time a budget is passed, so many provisions are slipped in that nobody even knows how much pork [phonetic] is out there. That is exactly what this

is about. Thank you very much.

MALE VOICE 1: Thank you very much. Jay Howell.

MR. HOWELL: Thank you very much, sir. I appreciate first of all the time of the board. First of all, I'm here to bring an impending issue, not an actual, well it is an actual problem but it's one that as time goes on, will continue to grow, so I'd like to bring this to the attention.

I am a small business owner. I own a janitorial products and service here in North Carolina. We're very, very fortunate that we're also an SB A&A firm. We're extremely proud of that. We actually employ about 47 people across the United States. Now if you're aware under the SBA 8(a) program, one of the requirements on that is to self market to our Federal agencies for business.

However, we have a ceiling cap to self market for direct contract negotiations with Federal agencies of \$3 million. Now I've tried to research back and determine just how long this \$3 million cap has been in place. I've been unsuccessful to this point, but I'll continue to search.

But what it brings to light is, with the increases that we're seeing with the cost of goods, services, transportation, etc., it's almost impossible for our Federal agencies now to do direct negotiations with any of the 8(a) firms because they cannot keep their pricing below \$3 million.

So what is starting to happen now, and actually I'm involved with a Federal agency right now that is actually engaged in that struggle. And what we're now starting to see, we're starting to see a trade off for years for dollars. I'll give you an example. What generally happens when a Federal agency goes in and tries to basically determine what the cost for our services would be over a standard five year period, once it's determined it may exceed that \$3 million, but yet and still all of the documents that they've received, or that we are the actual company they would like to negotiate with, then they say well okay, what I've got to do now in order to get below that ceiling is we're just going to have to cut this contract back to maybe a base plus three year contract, where it was typically a base plus four, or in some cases, even a base plus two.

Our company has been unsuccessful in two direct negotiations even though we self market it, we spent all the monies necessary, we've done everything that we were required to do to go out and market our self, but because we are cap, because these contracts are capped at \$3 million, we're negotiations, then they have to actually go out and they've actually had to bid.

First of all, it's not beneficial to a Federal agency, period. Because all of you say if you're business owners, you realize that

quality costs. And we consider ourselves to be a quality company. However, we also focus a different way. Our company focuses on helping the government agencies or Federal agencies, state agencies actually save money. But if a Federal agency cannot keep their contract within a \$3 million arena over a five year period, which is the maximum, then we are now allowed to directly negotiate.

Like I said, as the [inaudible] cost of transportation, the paper supplied, the plastics, all of the things that we as day-to-day consumers are involved with continue to rise, it's going to make it even more difficult. Then you throw in the recent changes with the bract [phonetic] and we do market our self primarily to our military installations.

You take an installation like Pope Air Force Base, [inaudible] the bract's of RAC, they're going to be moving more people in there and you bring more people into that arena, the cost continues to rise.

Eventually, the direct negotiation process is going to go away, eventually it is going to erode. That which is a mainstay of the SBA 8(a) program, that which is deep rooted and founded on is about to erode because there is a ceiling cap.

Now I could slip into another arena and I could start talking about the fact that if you're an Alaska Native you don't have those ceilings, but that's another discussion, that's another day. And I'll just leave that for the coffee machine afterwards.

But I think it is something that needs to be addressed; it needs to be looked at now. Now I've heard you ask other people what do I expect? I want it to be on record. My company will graduate from this fine program in 2009. Do I feel that a change will be made prior to that? God, I would hope so. I would hope that someone would immediately take a look at this and say, this is what it's founded on, we need to address it now, and we need to start making changes.

I'm an optimist, so I'm going to remain optimistic they will. I'm going to going to continue marketing myself and we're going to continue to face the work arounds because that's what we're now addressing. We're now addressing workarounds with our Federal agencies that are trying to work around this system, this program, this law, this regulation; they're trying to work around it so they can work us in.

So we're going to continue to do that and I thank you for your time.

MALE VOICE 1: Thank you very much. Do we have a summary of what you just shared with us? In writing that I can take [inaudible].

MR. HOWELL: I'll have it by the end of the day. It's in my

office. We started very early and I apologize I left it, but I will make sure—ensure that you get it.

MALE VOICE 1: [Inaudible] again, I can't make any promises, but I can make [crosstalk]

MR. HOWELL: Thank you, sir.

MALE VOICE 1: Kate Crawford couldn't be here, so I've asked our board member Bruce McCrory to read her testimony into the record.

MR. McCRORY: This is regarding HUD Real Estate Settlement Procedures act or RESPA, R-E-S-P-A.

HUD's proposed route to simplifying the mortgage lending process has created certainty in the eyes of the industry and consumer. Plus HUD's new forms will disadvantage all mortgage brokers who have to compete with the large banks, credit unions and mortgage bankers.

HUD is proposing that mortgage brokers only give their profit to the borrower, the profit to the borrower. The banks, credit unions, mortgage bankers, insurance companies, savings and loans and finance companies do not have to disclose their profit, nor give it to the borrower.

We as small business people feel this is a huge assault on our industry and we do over 68% of all the mortgage lending in the country. We are the mainstream lender of choice for the public and we are being singled out because of a mortgage delivery system rather than our business.

The proposal would have us give back our profit, which is a form of price fixing and is not an even playing field for other mortgage entities. We feel this is discriminatory and will cripple competition and raise prices in the market.

HUD's proposal will eliminate businesses and jobs. During the past few years, mortgage brokers have been the main reason for the growth in home ownership. Now, HUD's proposal would hamper this and send this—and this is one of their main purposes for existence. Thank you for your time. Kate Crawford, Secretary National Association of Mortgage Brokers.

And she has attached HUD's proposed GAO B form 2004 final rule which they withdrew. That's the end of her statement.

MALE VOICE 1: Thank you, Bruce. That's an example of the fact that people can't be here, we ask that their testimony [inaudible] board member be read into the record. Just as we have a system called Ready Talk, which is why we have a speaker on this table, anybody who wanted to call in and testify, they can do that. Selma White.

MS. SELMA WHITE: Good morning. My name is Selma White; I'm the owner, operator of Stella's Convenience Store in [inaudible] City, North Carolina. And the reason why I'm here today, an incident that happened on November 26th, 2003. It was a letter from the Department of Agriculture stating that they had power [phonetic] of evidence that my business had violated the terms governing the participation as a retailer in the food stamp program.

They further stated that a careful analysis of records revealed that my business had over a six month period trafficked over \$2,000 in food stamps with at least four different families. It further stated that an established clear/repetitive pattern of unusual, irregular and/or inexplicable FSP activities for my type of firm.

Well, my firm carries a large variety of food/drink products. I also have a large deli section that makes sandwiches, pizzas, hot foods which you can't buy on food stamps. Subsequently, I had a review officer to look at his and it was apparent. I met all their [inaudible] orally and in writing that was required from the Department of Agriculture, the same has not been given to me.

I used all the avenues that have been available to me. I've called practically every Congressman in North Carolina. I've talked personally with the U.S. Attorney General; in fact, I drove to his office. I've called every attorney in North Carolina, but they don't want to deal with it. I don't know what it is with the food stamps. I was told that it would cost be \$10,000 to hire an attorney and there's no guarantee that they can do anything for me.

And things that bother me about the paperwork that was submitted, [inaudible phrase] Department of Agriculture is that it was so many inconsistencies and based on their layout of my store and diagram and what they put down as to the products that was in my store, it doesn't match up and I do have that with me today.

And finally, I guess I just wanted to say that before you all today, that food stamp regulation needs to be re-visited because you have people out there [inaudible] that's breaking the law. But I have not broken the law. I did not sale nor traffic in food stamps. First, the U.S. Department of Agriculture was my accuser, but now they're telling me [inaudible] accused, you have to prove your case. And needless to say, this has been a hellish nightmare for me.

It has impacted by business, it has impacted communities because we have a community of 85% of people there in that community are participants in the food stamp program. It is also, because I'm not able to take food stamps in my store any more, I'm able to accept WIC which I was doing also and finally, U.S. Department of Agriculture never sent anyone to my store other than to take pictures.

And when they sent someone to take pictures, they only took pictures of half the store. They didn't take pictures of the deli which I have two instances. One for the grocery side and one for the deli side and when I brought this to their attention, they said they didn't know—they only want to take a specific one, but the deli was also utilized for the POS machine, which is the food stamp machine.

I don't know what happened with this, but I just feel so bad about this because I know other people are out there, maybe 1% of the people. They're innocent, but you know when you go through something like this, it's like no end to it, there's no end to it and it's just been so much money on my part that has been spent because I have got a loan, I remodeled the building completely that I have there now.

I used my own money to do everything and I took a loss at the beginning because I wanted to build my business up. I mean, we sold sub sandwiches for \$2 so I could build it up. But yet [inaudible] I'm still stuck with food stamp machine and again, like I said, I just don't want this to happen to anybody else.

And if they could revisit it and rewrite the regulations to help people like me, it would be greatly appreciated. Thank you very much.

MALE VOICE 1: Thank you, Selma. And we have the documentation [inaudible] form from you?

MS. WHITE: Yes.

MALE VOICE 1: This is not the first time we've had food stamp issues we brought into the studio [inaudible] and various partners and recently we've been getting some [inaudible] again, I don't promise, but you want—promise we'll take action to do our best to try to help you. Allen Gray?

MR. GRAY: Good morning. Thank you for giving the opportunity to testify today on behalf of the Carolinas AGC and the construction industry concerning matters relating to employment of immigrants.

Carolinas AGC is the largest chapter of Associated General Contractors of America representing over 3,000 construction industry firms in the Carolinas. Established in 1918, AGC is the nation's largest and oldest construction trade association with more than 30,000 members nationwide.

The construction industry has become a major employer of immigrants on construction sites of all types. The surge in the employment of immigrants began just a few years ago and is helping build a significant [inaudible] in the availability of construction craft workers in this region. Most construction employers have instituted procedures that are consistent with well established pre-employment practices to determine an immigrant's status including requiring proper

documentation.

Unfortunately, some illegal immigrants have secured very credible forged documents that are used in the required I-9 employment verification process as well as legal documents. Recent political maneuvers suggesting employers who hire illegal immigrants should be fined \$10,000 as a matter of fact demonstrates a lack of understanding of the issues effecting the employment of illegal aliens and the numerous other legal issues that confront employers in the hiring process.

The vast majority of construction companies are trying to ensure they are hiring legal immigrants, but they can only go so far before violating other employment regulations, such as anti-discrimination laws. Many of the employers are mom and pop operations, who are doing the best they can with the resources they can to stay in business, placing the burden of policing illegal immigrants on them while trying to run a business and comply with other conflicting employment regulations is overwhelming.

Certainly illegal immigrants may be working on construction sites as well as in other industries without employer's knowledge. But we shouldn't punish the employer for a system that failed well before the illegal immigrant made it to the employer's door and continues to fail through the employment process.

By the same token, employers who knowingly employ illegal immigrants should be considered in violation of the law and subject to fines.

What are some of the solutions to this? The Associated General Contractor supports the creation of a new guest workers program that would reduce paperwork burden on the employer and limit the bureaucracy faced by immigrants and employers.

Immigration reform can help address the shortage of skilled and unskilled works, a problem the construction industries and other industries continue to face. We must create a new guest worker program and/or reform the current H2B process. Immigrants have become a major part of our workforce and this trend is going to continue.

AGC is trying to conduct outreach and provide education domestically including in the Carolinas with our career fairs, but the industry needs to be able to reach out to those immigrants who are interested in coming to the United States to work.

A new program to follow foreign workers—to allow foreign workers to come to the U.S. to work for construction employers is needed. Though there was an increase in H to B visa's this year, the current H to B process is too cumbersome and beauratic for many employers to use on a regular basis. The H to B visa allows

chemical workers, construction craftsmen to enter the U.S. to work. A new visa program should include these elements.

A visa that should be valid for a minimum of two years to ensure that the training investment put forth by the employer is not lost. The visa should be able to be renewable for a total of six years and there should be a way to sponsor employees for a permanent residency while under the new visa process.

The cap [phonetic] should be flexible and based on the needs of the market place. Individuals using the new visas should have to stay with the sponsoring employer for a certain amount of time unless abuse of the employer is found—employee is found, in order to actually address the needs of the employers.

The requirement of making [inaudible] employment laws applicable. We must address undocumented workers who are already in the country as well by identifying undocumented workers, the problems of illegal immigration and maintaining a strong, vibrant economy can co-exist. A new temporary guest worker program would begin to harness the problem of future illegal immigration and keep the economy strong.

However, there are plenty of undocumented workers already in the U.S. Such individuals are not going to voluntarily go home and even if there was a way of organizing a mass deportation, our economy would fall apart.

Established in a way for them to get on a legal path toward citizenship would benefit workers, employers and prove to be safer for all citizens by having legal aliens in the workforce.

Amnesty is not an option. An earned legalization process including [inaudible] proven work contribution without fines for employers who implement reasonable background checks and security checks would be a way to give the undocumented into line for legal visas.

There are a number of reasons illegal workers are making it into our workforce. Failure of the part of the Federal government to seal our borders, ease of securing and/or forging required documents, conflicting employment regulations as well as the lack of a workable system, employer's can persist by the end, to that immigrant once all other mechanisms have failed.

This is a complicated problem and it must be faced in a realistic, sober manner by those decision makers who are responsible for the systems that are failing. Until then, there is little employers can do besides work within the current system as well as can be expected.

Again, I thank you for giving me the opportunity to speak here today, and ask that give this testimony the consideration it

warrants.

MALE VOICE 1: Thank you. How many problems does the CSGC have again had again in North Carolina?

MR. GREY: We have approximately 1,700 North Carolina and somewhere close to 1,300 in South Carolina. Nationwide, AGC of America has over 30,000 members. [Inaudible] very good chapter down there. Thank you very much.

MALE VOICE 1: You've seen the process. Are there any other small business people who want to offer something?

[END TAPE 1 SIDE A]